

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 8754

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INFO EC COLLECTIVE 35

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EINV, ELAB, NL

SUBJECT: DUTCH AND FOREIGN BUSINESS COMMUNITIES CAMPAIGN TO  
CHANGE PROFIT SHARING BILL (VAD)

REF: (A) THE HAGUE 4068 (NOTAL), (B) THE HAGUE 2671 (NOTAL),  
(C) THE HAGUE 2501 (NOTAL)

1. SUMMARY: REFLECTING GROWING CONCERN IN DUTCH AND FOREIGN  
BUSINESS COMMUNITIES AND AT URGING OF FEDERATION OF NETHERLANDS  
INDUSTRY (VNL), FOREIGN CHAMBERS OF COMMERCE (INCLUDING  
AMERICAN CHAMBER) HAVE RECENTLY DECIDED TO INITIATE ACTIVE  
CAMPAIGNS TO SEEK AMENDMENTS TO PROFIT SHARING BILL SCHEDULED  
FOR PARLIAMENTARY CONSIDERATION THIS FALL. FOREIGN CHAMBERS,  
WHILE GENERALLY OPPOSING PROPOSED BILL, WILL SEEK AT LEAST  
FOUR AMENDMENTS DESIGNED TO 1) HAVE COMPANY CONTRIBUTIONS UNDER  
VAD BE IN FORM OF FUNDS RATHER THAN SHARES , 2) MAKE ALL  
COMPANY PAYMENTS UNDER VAD DEDUCTIBLE FROM GON CORPORATION INCOME  
TAXES, 3) HAVE EACH COMPANY MAKE ITS PAYMENTS UNDER VAD ONLY  
TO ITS OWN EMPLOYEES RATHER THAN HAVE PART OF SUCH PAYMENTS  
GO INTO COMMON FUND FOR BENEFIT OF EMPLOYEES OF OTHER ENTER-  
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PRISES, 4) REMOVE TRADE UNION CONTROL OF VAD FUNDS. END

SUMMARY.

2. UNTIL RECENTLY, BUSINESSMEN LIMITED THEIR ACTIONS ON VAD TO PRIVATE INTERVENTIONS WITH GOVERNMENT AND PARLIAMENTARY LEADERS AND A FEW ARTICLES WERE PUBLISHED IN THE VNO ORGAN. HOWEVER, AS EMPLOYERS HAVE CONCLUDED THAT VAD LEGISLATION IS INEVITABLE BECAUSE OF CURRENT POLITICAL SITUATION, ARRANGEMENTS ARE NOW BEING MADE FOR A MUCH MORE ACTIVE CAMPAIGN TO CONVINCE ALL CONCERNED OF THE NEED TO AMEND CERTAIN ELEMENTS OF THE BILL.

3. VNO PRESIDENT C. VAN VEEN, A FORMER CABINET MINISTER, HAS BEEN TALKING WITH OFFICIALS AND PARLIAMENTARIANS, TO WHOM HE HAS READY ACCESS, TRYING TO CONVINCE THEM THAT CERTAIN ELEMENTS OF THE PROPOSED BILL WOULD BE VERY HARMFUL TO DUTCH ECONOMY WHILE THE BILL'S LACK OF CLARITY AND IMPRECISE LANGUAGE AS TO IMPLEMENTATION HAVE CREATED GREAT BUSINESS UNCERTAINTY. VAN VEEN ALSO HAS URGED LEADING GROUPS OF FOREIGN INVESTORS TO PARTICIPATE IN CAMPAIGN, ARGUING THAT A PARALLEL EFFORT ON THEIR PART WOULD ENHANCE POSSIBILITY OF HAVING THE BILL AMENDED.

4. AS A RESULT, MEETINGS ATTENDED BY VAN VEEN WERE RECENTLY HELD BY PRESIDENTS OF AMCHAM AND LOCAL CHAMBERS OF BELGIUM/LUXEMBOURG, GREAT BRITAIN, WEST GERMANY AND FRANCE, AS WELL AS SIMILAR ORGANIZATIONS OF AUSTRIA (AUSTRIAN TRADE DELEGATION) AND SWEDEN (SWEDISH ASSOCIATION FOR TRADE AND INDUSTRY) AND JAPAN (AT ITS OWN REQUEST). CHAMBERS AGREED TO TAKE FOLLOWING ACTIONS:

A. MAKE COMBINED REQUEST TO VAD PARLIAMENTARY COMMITTEE FOR A PUBLIC HEARING IN LETTER TO BE SIGNED BY CHAMBER PRESIDENTS.

B. LIMIT SIZE OF GROUP AT THE PROPOSED HEARING TO REPRESENTATIVES OF AMCHAM, BRITISH, GERMAN, AND JAPANESE CHAMBERS AND ONE OTHER CHAMBER, PROBABLY BELGIUM/LUXEMBOURG, TO SPEAK FOR OTHER FOREIGN INVESTORS.

C. EACH CHAMBER HAS INDIVIDUALLY PREPARED A QUESTIONNAIRE TO BE COMPLETED BY EACH OF ITS NON-DUTCH MEMBER FIRMS CONCERNING LIMITED OFFICIAL USE

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FIRM'S ATTITUDE TOWARD VAD, AS WELL AS VAD'S POSSIBLE EFFECT ON FIRM'S INVESTMENT PLANS AND EMPLOYMENT. COVERING LETTER ENCLOSING QUESTIONNAIRE ALSO ENCOURAGES FIRMS TO COMMUNICATE THEIR VIEWS DIRECTLY TO VAD COMMITTEE MEMBERS AND OTHER INDIVIDUAL PARLIAMENTARIANS. QUESTIONNAIRES ARE NOW BEING MAILED AND RESPONSES (EXCLUDING NAMES OF ANSWERING FIRMS) HAVE BEEN REQUESTED BY AUGUST 31 TO PREPARE FOR PRESENTATION TO VAD PARLIAMENTARY COMMITTEE BY SEPTEMBER 15 DEADLINE.

D. COMBINED GROUP HAS HIRED A RESPECTED DUTCH PROFESSOR TO PREPARE A STUDY ON PROPOSED VAD BILL INCLUDING ITS IMPACT ON FLOW OF FOREIGN INVESTMENTS INTO NETHERLANDS AND ON EMPLOYMENT. STUDY IS TO BE DISTRIBUTED TO OFFICIALS AND PARLIAMENTARIANS AND PROFESSOR MAY ALSO ATTEND PLANNED PUBLIC HEARING AS AN ADVISER.

5. IN ADDITION TO EXPRESSING ITS GENERAL OBJECTIONS TO VAD BILL, BUSINESS COMMUNITY PLANS TO CONCENTRATE ITS EFFORTS TO SECURE AT LEAST FOUR AMENDMENTS COVERED IN SUMMARY PARAGRAPH. TO AVOID COMPLAINT THAT FOREIGN COMPANIES ARE MEDDLING IN INTERNAL MATTER, CHAMBERS WILL SPEAK ONLY FOR THEIR NON-DUTCH MEMBERS AND WILL CONFINE THEIR PRESENTATIONS TO IMPACT OF VAD ON FLOW OF FOREIGN INVESTMENTS AND EMPLOYMENT. VNO WILL CONTINUE TO ACT ON BEHALF OF DUTCH ENTERPRISES.

6. ACCORDING TO AN OFFICIAL OF MINISTRY OF ECONOMIC AFFAIRS, BILL IS EXPECTED TO BE DEBATED IN LATE OCTOBER/EARLY NOVEMBER WITH LEGISLATION TO TAKE EFFECT BEFORE MAY 1977 PARLIAMENTARY ELECTIONS.

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